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RUEHFK/AMCONSUL FUKUOKA IMMEDIATE 3946  
RUEHNH/AMCONSUL NAHA IMMEDIATE 6277  
RUEHOK/AMCONSUL OSAKA KOBE IMMEDIATE 7748  
RUEHKSO/AMCONSUL SAPPORO IMMEDIATE 4478  
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RUCPDOC/DEPT OF COMMERCE WASHINGTON DC IMMEDIATE  
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C O N F I D E N T I A L SECTION 01 OF 03 TOKYO 001082

SIPDIS

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TAGS: PINR PGOV JA

SUBJECT: RESIGNATION OF DPJ LEADER ICHIRO OZAWA

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Classified By: CDA James P. Zumwalt, reasons 1.4(b),(d).

¶1. (C) Summary: DPJ leader Ichiro Ozawa resigned from the party presidency on May 11, succumbing to a combination of sinking polls, criticism from within his own party, continuing press scrutiny over his role in a political funds scandal, and the realization that he had become a liability in the DPJ's quest to unseat the ruling LDP-Komeito coalition in the next Lower House election. Ozawa's decision ends two months of intense media speculation over his political future, but gives rise to new questions over a possible succession battle within the DPJ and its potential impact on key legislation, the Diet schedule, and the timing and outcome of key Lower House elections. Former DPJ Presidents Hatoyama and Okada are leading contenders to succeed Ozawa, in a party presidential election that may take place as early as May 16. End Summary.

DPJ Moving Quickly to Elect a New Leader

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¶2. (C) Democratic Party of Japan (DPJ) President Ichiro Ozawa announced his resignation as party leader at a late afternoon press conference on May 11, citing party unity and ending speculation that he might try to weather allegations of political funds violations and hold on until key Lower House elections later this year. Secretary General Yukio Hatoyama announced his intention to resign as well. Ozawa's resignation means the DPJ will need to hold a new leadership election quickly, to avoid losing further ground in the Diet against a newly resurgent Prime Minister Taro Aso and his ruling coalition. Media attention has already turned to whether Ozawa's resignation is good news or bad news for the DPJ, and this party leadership election will be the first big test. The DPJ Executive Committee gathered quickly on May 12 to hear directly from Ozawa and to lay out the rules for electing a successor as early as May 16. Two former DPJ Presidents, Hatoyama and current Vice President Katsuya Okada, are obvious front-runners to replace Ozawa, but a number of younger candidates could make a run for the party President position as well, according to DPJ lawmaker Akihisa Nagashima.

¶3. (C) The conservative Hatoyama has served Ozawa well as a proxy and should draw support from the same groups that backed Ozawa, in addition to the roughly 25 Diet members in his own group within the DPJ. Okada, the "Mr. Clean" of Japanese politics, is a good choice to restore the party's image among the public, but may not enjoy wide enough support from conservatives. Technically, he has no fixed group in the DPJ, but is widely acknowledged to enjoy the backing of many younger and mid-level members, as well as those who lost their election campaigns under his leadership of the party in ¶2005. DPJ Lower House member Kenji Tamura told the Embassy he expects his own Noda-Maehara group within the DPJ to back Okada, but thought Ozawa's group would make a push for Hatoyama. Okada is "in pretty good shape" to succeed Ozawa, DPJ Diet Affairs Deputy Jun Azumi told the Embassy, but cautioned that "things remain unclear."

¶4. (C) Running unopposed, Ozawa has been "elected" twice since 2006, and the party was criticized heavily in the media last August for not putting on a race for the top job. Some DPJ lawmakers noted at the time that the party could not withstand a vigorous public debate over the issues and expressed reluctance to put their party's significant policy differences on public display. The election rules, which can be easily amended, call for voting in three stages -- first at the local chapter level, then at the local assembly level, and finally at the Diet level. The 300 local chapters and Diet members get one vote each. The local assembly members get a total of 100 votes, to be divided proportionally. The candidate with the most votes wins, regardless of whether there is a majority. At this point, party executives appear to be divided over whether to limit the voting to Diet

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members, which would curb public debate, or risk exposing rifts within the party in the interest of a full-blown campaign.

¶5. (C) A key indicator to watch, lawmaker Azumi noted, will be the extent to which Ozawa and his group try to exercise influence over the selection. The early consensus among Embassy contacts is that Ozawa will remain influential behind the scenes, and his ability to help shape the outcome of the race to choose his successor could provide early clues to his new role.

#### Resignation Could Affect Diet Session, Election Timing

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¶6. (C) Prime Minister Aso's move to bring his record supplementary budget bill to a vote in the Lower House as early as May 13 triggered massive media speculation that he would dissolve the Lower House for an election shortly after passage. One Komeito political secretary opined that Ozawa chose his timing specifically to upset Aso's plan to call an election in June. Even before Ozawa's announcement, however, ruling coalition leaders were already leaning toward extending the Diet session by nearly two months beyond its scheduled June 3 close to accommodate Prime Minister Aso's legislative priorities, according to press reports. One Embassy contact described the extension as "unavoidable," noting that Aso is determined to demonstrate that the ruling coalition is the "reliable ruling power" in advance of the next Lower House election. Others have cited the disincentives to delaying elections, particularly if Ozawa's successor proves to be a more formidable opponent. Several have suggested that Aso would do well to bide his time in hopes that the DPJ will implode under new leadership.

¶7. (C) Key bills to be passed this session include a supplementary budget, the anti-piracy bill, a revision to the National Pension Law, and bills to establish a Consumer Affairs Agency and consolidate the administration of existing laws related to consumer safety. The budget bill will be considered enacted within 30 days of its passage in the Lower

House, but a half-dozen bills related to its implementation are all subject to a 60-day hold in the opposition-controlled Upper House, as are the piracy, pension, and consumer measures. The last three passed the Lower House in mid-April and can be passed into law by a two-thirds majority override in mid-June. The budget-related bills, however, will not pass until the budget passes, giving the Upper House the ability to hold up elements of the economic stimulus package well into July before the Lower House can take a re-vote. Aso's supplementary budget remains unpopular with a majority of respondents in the most recent polls.

Polls, Internal Dissent, Diet Timing Influenced Decision

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¶8. (C) Ozawa's decision comes as something of a surprise, but was not entirely unexpected. He had been under intense pressure to resign from the public, the media, and even members of his own party since March 3, when his political secretary Takanori Okubo was arrested on suspicion of knowingly accepting contributions from scandal-tainted Nishimatsu Construction. Criticism from the media grew even more intense when Ozawa opted to return to the campaign trail without confronting the allegations head on. Ozawa has claimed consistently that the investigation is politically motivated, but one Embassy contact notes that he has not requested Okubo's release on bail because he does not want any of the facts to come out before the election. For its part, the Office of the Public Prosecutor has decided to postpone Okubo's trial to avoid influencing the political situation, the same contact says. Most Embassy contacts assumed that having failed to resign immediately after Okubo's arrest or subsequent indictment, Ozawa would remain in office until closer to the next Lower House campaign,

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possibly stepping down just prior to the election to give his party a boost. Given Ozawa's penchant for secrecy, few outside of his very small inner circle of advisors and confidantes would have had prior knowledge of his exact intentions, although a senior Cabinet intelligence official told the Embassy just a day earlier that Ozawa "would be gone by the end of the week." The media have yet to point out the irony that Ozawa, who was so critical of former Prime Ministers Shinzo Abe and Yasuo Fukuda for resigning unexpectedly, chose to exit so dramatically himself.

¶9. (C) The latest Yomiuri poll may have been the final straw for Ozawa, DPJ Lower House member Akihisa Nagashima told the Embassy May 11. Public support for Prime Minister Taro Aso and the LDP has continued on a steady upward trajectory since Okubo's arrest, even as support for Ozawa and the DPJ has declined. Initial assessments from Embassy contacts attributed the reversal as much to disenchantment with Ozawa as to any sort of new-found popularity for Aso. Recently, however, as Aso and the ruling coalition have exploited the openings provided by Ozawa's vulnerability, the polls have reflected wider appreciation for Aso's leadership and policies. The latest Yomiuri poll, published on the same day that Ozawa announced his resignation, shows the cabinet support rate nearing 30 percent, with the non-support rate below 60 percent for the first time since last year. Over 70 percent of respondents, including 56 percent of his own DPJ supporters, indicated they were "not convinced" Ozawa should remain in his leadership position. The LDP scored just three points below the DPJ on the question of which party respondents plan to vote for in the next Lower House election. Two other polls that came out shortly after Ozawa's announcement showed a continuation of the same trend, information that Ozawa would almost certainly have had access to prior to announcing his decision. Ultimately, Embassy contacts say, he was swayed by the realization that support for the party would not recover in time for the election and that the party could not win with him as President.

¶10. (C) Sports dailies, a source of "news" for much of the

nation, have been predicting Ozawa's downfall for the past several weeks, with headlines like the one in the May 7 Yukan Fuji blaring, "Anti-Ozawa Mood in the DPJ About to Explode." Until now, however, most Embassy DPJ contacts seemed resigned to support Ozawa for the long haul, despite concerns over the possible negative impact on the party so close to an election. That said, concern has been growing recently over Ozawa's failure to address the Nishimatsu issue directly, and the sagging polls would have provided concrete proof that his conduct could hurt the party's electoral prospects. A May 6 opinion piece in the Mainichi by former DPJ President Seiji Maehara may have given further impetus to Ozawa to step down earlier rather than later, according to some Embassy contacts and media sources. The outspoken Maehara warned Ozawa he risked "falling out of line with the public" if he did not deal with his responsibility over the Nishimatsu scandal. Questioning the current management of the party, Maehara noted that the DPJ was "at a juncture where we have to be in crisis-management mode and execute risk management for the party." He worried that independents, who make up over 40 percent of the electorate, may have "lost their enthusiasm" for the DPJ, even if core supporters remained behind the party. Maehara cautioned that Aso was "closely watching" what was going on inside the DPJ in hopes of "catching the DPJ by surprise." Ozawa cited "party unity" as the primary reason for stepping down.

ZUMWALT